

CHAPTER 25
HOUSING FUND

261—25.1(15) Purpose. The primary purpose of the housing fund, made up of federal CDBG and HOME funds, is to expand the supply of decent and affordable housing for low- and moderate-income Iowans.

261—25.2(15) Definitions. When used in this chapter, unless the context otherwise requires:

“*Activity*” means one or more specific housing activities, projects or programs assisted through the housing fund.

“*Administrative plan*” means a document that a housing fund recipient establishes that describes the operation of a funded activity in compliance with all state and federal requirements.

“*AHTC*” means affordable housing tax credits and federal tax incentives created through the Tax Reform Act of 1986 and allocated through the Iowa finance authority for affordable rental housing development.

“*CDBG*” means community development block grant nonentitlement program, the grant program authorized by Title I of the Housing and Community Development Act of 1974, as amended, for counties and cities, except those designated by HUD as entitlement areas.

“*CHDO*” means community housing development organization, a nonprofit organization registered with the Iowa secretary of state and certified as such by IDED, pursuant to 24 CFR 92.2 (April 1, 1997).

“*Consolidated plan*” means the state’s housing and community development planning document and the annual action plan update approved by HUD.

“*HART*” means the housing application review team, a body of affordable housing funding agencies which meets to review housing proposals.

“*HOME*” means the HOME investment partnership program, authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990.

“*Housing fund*” means the program implemented by this chapter and funded through the state’s annual HOME allocation from HUD and 25 percent of the state’s CDBG allocation from HUD.

“*Housing needs assessment*” means a comprehensive analysis in a format that conforms to IDED guidelines of housing needs for one or more units of local government.

“*HUD*” means the U.S. Department of Housing and Urban Development.

“*IDED*” means the Iowa department of economic development.

“*IFA*” means the Iowa finance authority.

“*Local support*” means involvement and financial investment by citizens and organizations in the community that promote the objectives of the housing activities assisted through the housing fund.

“*Program income*” means funds generated by a recipient or subrecipient from the use of CDBG or HOME funds.

“*Recipient*” means the entity under contract with IDED to receive housing funds and undertake the funded housing activity.

“*Subrecipient*” means an entity operating under an agreement or contract with a recipient to carry out a funded housing activity.

261—25.3(15) Eligible applicants. Eligible applicants for housing fund assistance include all incorporated cities and counties within the state of Iowa; nonprofit organizations; CHDOs; and for-profit corporations, partnerships and individuals.

1. Any eligible applicant may apply directly or on behalf of a subrecipient.
2. Any eligible applicant may apply individually or jointly with another eligible applicant or other eligible applicants.

261—25.4(15) Eligible activities and forms of assistance.

25.4(1) Eligible activities include transitional housing, tenant-based rental assistance, rental housing rehabilitation (including conversion), rental housing new construction, home ownership assistance, owner-occupied housing rehabilitation and other housing-related activities as may be deemed appropriate by IDED. Assisted housing may be single-family housing or multifamily housing and may be designed for occupancy by homeowners or tenants.

a. Assisted units shall be affordable.

(1) For rental activities, all assisted units shall rent at the lesser of the area fair market rents or 30 percent of 65 percent of the area median family income and, for projects with five or more units, 20 percent of the units shall rent at the lesser of the fair market rent or 30 percent of 50 percent of the area median family income. Assisted units shall remain affordable for a specified period: 20 years for newly constructed units; 10 years for rehabilitated units receiving \$15,000 to \$24,999 in assistance; and 5 years for projects receiving less than \$15,000 per unit.

(2) For tenant-based rental assistance, gross rents shall not exceed the jurisdiction's applicable rent standard and shall be reasonable, based on rents charged for comparable, unassisted rental units.

(3) For home ownership assistance, the initial purchase price for newly constructed units and the after rehabilitation appraised value for rehabilitated units shall not exceed 95 percent of the median purchase price for the same type of single-family housing in the area. Assisted units shall remain affordable through resale or recapture provisions for a specified period: 5 years for projects receiving up to \$15,000 in assistance per unit, and 10 years for projects receiving \$15,000 to \$24,999 in assistance.

(4) For owner-occupied housing rehabilitation, the after rehabilitation value of rehabilitated units shall not exceed 95 percent of the median purchase price for the same type of single-family housing in the area.

b. Assisted households shall meet income limits established by federal program requirements.

(1) For rental activities, all assisted units shall be rented to households with incomes at or below 80 percent of the area's median family income; 90 percent of the units shall be rented to households with incomes at or below 60 percent of the area's median family income and, for projects with five or more units, 20 percent of the units shall be rented to households with incomes at or below 50 percent of the area's median family income.

(2) For tenant-based rental assistance, only households with incomes at or below 80 percent of the area median family income shall be assisted; additionally, 90 percent of the households served shall have incomes at or below 60 percent of the area's median family income.

(3) For home ownership assistance and owner-occupied housing rehabilitation, only households with incomes at or below 80 percent of the area median family income shall be assisted.

c. IDED reserves the right to establish rehabilitation standards for projects. All rehabilitation must be done in compliance with all state and local codes, rehabilitation standards and ordinances and shall, at a minimum, meet HUD Section 8 Housing Quality Standards, 24 CFR 882 (April 1, 1997). New units must be constructed pursuant to standards specified at 24 CFR 92.251(a)(1) (April 1, 1997).

25.4(2) Eligible forms of assistance include grants, interest-bearing loans, non-interest-bearing loans, interest subsidies, deferred payment loans, forgivable loans or other forms of assistance as may be approved by IDED.

261—25.5(15) Application procedure. All potential housing fund applicants shall complete and submit a HART form describing the proposed housing activity. If, after HART review, the proposal is determined appropriate for housing fund assistance, IDED shall inform the applicant of the appropriate application procedure by mail. The HART process must be completed as early as possible in the application procedure and within a minimum of 30 days prior to the application deadline.

25.5(1) HART forms shall be available upon request from IDED, 200 East Grand Avenue, Des Moines, Iowa 50309; telephone (515)242-4825.

25.5(2) HART forms are accepted year-round.

25.5(3) Applicants may request technical assistance from staff contacts in the preparation of housing fund applications.

a. If an applicant does not submit an application by the next application deadline, IDED will determine the proposal inactive and remove it from the HART files.

b. Upon the submission of a housing fund application, no additional staff assistance shall be provided during the review period.

25.5(4) Housing fund applications shall be reviewed through an annual competition. Once funds have been allocated, IDED will not accept applications seeking funding for review until the next established deadline.

25.5(5) Reserved.

25.5(6) Proposals which require both housing fund and LIHTC awards will be reviewed under a schedule and procedures to be determined under reserved subrule 25.5(5). Joint housing fund and LIHTC proposals received in advance of the deadline established by the department for such proposals will be held for review until the deadline.

261—25.6(15) Minimum application requirements. To be considered for housing fund assistance, an application shall meet the following threshold criteria:

25.6(1) The application shall propose a housing activity consistent with the housing fund purpose and eligibility requirements, the state consolidated plan and any local housing plans.

25.6(2) The application shall document the applicant's capacity to administer the proposed activity. Such documentation may include evidence of the successful administration of prior activities or a statement that the applicant intends to contract with another entity for administrative services. IDED reserves the right to deny funding to an applicant that has failed to comply with federal and state requirements in the administration of a previous project funded by IDED.

25.6(3) The application shall provide evidence of the need for the proposed activity, the potential impact of the proposed activity and the feasibility of the proposed activity.

25.6(4) The application shall demonstrate local support for the proposed activity.

25.6(5) The application shall show that a need for housing fund assistance exists after all other financial resources have been identified for the proposed activity.

25.6(6) The application shall include a certification that the applicant will comply with all applicable state and federal laws and regulations.

25.6(7) An application for a project located in a locally designated participating jurisdiction (PJ) must show evidence of a financial commitment from the local PJ equal to 25 percent of the total HOME funds requested.

261—25.7(15) Application review criteria. IDED shall evaluate applications and make funding decisions based on general project criteria, need, impact, feasibility, and project administration based upon the specific type of project. The project criteria shall be a part of the application. A workshop will be held at least 60 days prior to the application deadline to provide information, materials, and technical assistance to potential applicants.

25.7(1) As applicable, the review criteria for homeownership assistance applications shall include the following:

a. General criteria.

1. Project objectives.
2. Total number of units and number of assisted units.
3. Project activities and cost estimates.
4. If new construction, availability of necessary infrastructure and utilities.
5. Form(s) of assistance (grants, loans, amounts).
6. Type(s) of assistance (e.g., mortgage buy-down, down payment, closing costs, and rehabilitation).
7. Median purchase price for single-family housing in the community.
8. Initial purchase price or after rehabilitation value per assisted unit.
9. Mortgage lender participation documentation and underwriting standards.
10. Methodology to determine maximum amount of conventional financing affordable to buyer.
11. Selection criteria for participants.
12. Methodology to ensure that the property will be the buyer's principal residence.
13. Rehabilitation standards to be used.
14. Project time line.

b. Need, impact and feasibility criteria.

1. Number and percentage of low- and moderate-income persons in the applicant community.
2. Evidence and documentation of need for the project.
3. Percentage of need to be met through the project.
4. Reasons mortgage applications have been denied by local lenders.
5. Housing costs, housing supply, condition of available housing, and vacancy rates.
6. If acquisition for new construction, documentation of need for new units.
7. Recent or current housing improvement activities.
8. Description of current and ongoing comprehensive community development efforts.
9. Publicity promoting the proposed project.

10. Number of potential participants and the method by which they were identified.
11. New businesses or industrial growth in the past five years.
12. Local involvement and financial support.
13. Property values compared to 1990 in project location (percent change).
14. Number of households compared to 1990 in project location (percent change).
15. Population compared to 1990 in project location (percent change).
16. Overall vacancy rate of owner-occupied units in the community (percent change).

c. Administrative criteria.

1. Plan for project administration.
2. Previous project management experience.
3. Budget for administration.
4. Resale and recapture provisions, terms, and enforcement procedures.
5. Prior funding received and performance targets completed.

25.7(2) As applicable, the review criteria for owner-occupied housing rehabilitation applications shall include the following:

a. General criteria.

1. Project objectives.
2. Area of benefit and reason for applicant selection.
3. Condition of infrastructure in the project area.
4. Form of assistance to homeowners (grants, loans, amounts).
5. Homeowner contribution methodology.
6. Selection criteria for participants.
7. Method to determine that the property is the homeowner's principal residence.
8. Proposed standards for rehabilitation.
9. Plan for properties infeasible to rehabilitate.
10. If relocation is included, estimate of available suitable replacement housing.
11. Documentation of local lender participation and underwriting criteria.
12. Method to determine after rehabilitation value.
13. Terms of affordability.
14. Use of program income.
15. Project time line.

b. Need, impact and feasibility criteria.

1. Evidence of need for the project.
2. Percentage of need to be met through the project.
3. Number and percentage of low- and moderate-income persons in the community.
4. Housing costs, housing supply, condition of available housing, vacancy rate in project area.
5. Other recent or current housing improvement activities in the project area.
6. Ongoing comprehensive community development efforts in the project area.
7. New businesses or industries in the past five years in the city of the project location.
8. Local support documentation.
9. Financial contribution to the project from other sources (with underwriting criteria).
10. Property values compared to 1990 in project location (percent change).
11. Number of households compared to 1990 in project location (percent change).
12. Population compared to 1990 in project location (percent change).
13. Overall vacancy rate of owner-occupied units in the community (percent change).

c. Administrative criteria.

1. Plan for project administration.
2. Previous project management experience.
3. Budget for administration.
4. List of prior CDBG and HOME funding.
5. If application is for a continuation of a prior project, list of performance targets completed.

25.7(3) As applicable, the review criteria for rental housing assistance applications shall include the following:

a. General criteria.

1. Project objectives.
2. Total number of units and number of assisted units.
3. Project activities and cost estimates.
4. Eligibility criteria for renters of assisted units (income, age, disability, other).
5. Rationale for project location.
6. Availability and condition of infrastructure; availability of utilities.
7. Zoning compliance.
8. Environmental issues.
9. Potential tenant displacement including estimated Uniform Relocation Act (URA) costs.
10. Accessibility.
11. Rehabilitation standards or construction codes to be used.
12. Project time line.

b. Need, impact and feasibility criteria.

1. Evidence of need for the project.
2. Percentage of need to be met through this project.
3. Number and percentage of low- and moderate-income persons in the community.
4. Housing costs, housing supply, condition of available housing, vacancy rate in project area.
5. If new construction, documentation of need for new construction.
6. Other recent or current housing improvement activities in the project area.
7. Ongoing comprehensive community development efforts in the project area.
8. New businesses or industries in the past five years in the city of the project location.
9. Local support.
10. Opposition to the project and plans to alleviate concerns.
11. Financial contribution to the project from other sources (including all underwriting criteria).
12. Reason for "gap" in the project financing; justification for housing fund request amount.
13. Property values compared to 1990 in project location (percent change).
14. Number of households compared to 1990 in project location (percent change).
15. Population compared to 1990 in project location (percent change).
16. Overall vacancy rate of owner-occupied units in the community (percent change).

c. Administrative criteria.

1. Plan for project administration.
2. Previous administrative experience.
3. Plan to ensure long-term affordability.

4. Plan for annual certification of tenant eligibility and compliance with Section 8 Housing Quality Standards.

5. Previous CDBG- and HOME-funded housing projects and current status.

6. Applicant's other rental housing projects and addresses.

25.7(4) As applicable, the review criteria for tenant-based rental assistance applications shall include the following:

a. General criteria.

1. Project objectives.

2. Rationale for amount of assistance per recipient.

3. Selection criteria for participants.

4. Form of assistance (grants, loans).

5. Use of assistance (rental and security deposits, rent assistance).

6. Length of time of assistance.

7. Portability of rental assistance.

8. Rent calculation.

b. Need, impact and feasibility criteria.

1. Number and percentage of low- and moderate-income persons in the applicant community.

2. Percentage of income potential recipients are currently paying for rent.

3. Area housing costs.

4. Availability of affordable housing.

5. Public housing authority waiting list.

6. Documentation of other indicators of need for Tenant-based Rental Assistance (TBRA).

7. Percentage of need to be met through this project.

8. Alternatives to the proposed project that were considered.

9. Coordination of this project with other housing assistance.

10. Other providers of TBRA in the community.

11. Description of efforts to obtain additional funding from other sources for TBRA.

12. Evidence of community support.

13. Opposition to project and method to address it.

14. Economic indicators in community (unemployment rate, increase/decrease opportunity).

15. Project time line.

16. Property values compared to 1990 in project location (percent change).

17. Number of households compared to 1990 in project location (percent change).

18. Population compared to 1990 in project location (percent change).

19. Overall vacancy rate of rental units in the community (percent change).

c. Administrative criteria.

1. Plans for administering the project.

2. Description of previous administrative experience.

3. Budget for administration.

4. Plan for annual certification of tenant eligibility and compliance with Section 8 HQS.

5. Prior CDBG and HOME housing grants.

6. Prior projects funded with performance targets completed.

25.7(5) IDED staff may conduct site evaluations of proposed activities.

261—25.8(15) Allocation of funds.

25.8(1) IDED may retain a portion of the amount provided for at rule 261—23.4(15) of the state's annual CDBG allocation from HUD and up to 10 percent of the state's annual HOME allocation from HUD for administrative costs associated with program implementation and operation.

25.8(2) Not less than 15 percent of the state's annual HOME allocation shall be reserved for eligible housing activities proposed by CHDOs.

25.8(3) Reserved.

25.8(4) IDED reserves the right to allocate up to 5 percent of CDBG funds allocated to the housing fund for the emergency repair of homeless shelters. Recipients funded for this purpose shall not be required to follow the application procedure set forth in rule 261—25.5(15).

25.8(5) IDED reserves the right to allocate up to 5 percent of the HOME funds allocated to the housing fund for a contingency fund dedicated to addressing threats to public health and safety and exceptional opportunities that would otherwise be foregone without immediate assistance.

25.8(6) IDED will determine the appropriate source of funding, either CDBG or HOME, for each housing fund award based on the availability of funds, the nature of the housing activity and the recipient type.

25.8(7) IDED reserves the right to limit the amount of funds that shall be awarded for any single activity type.

25.8(8) Awards shall be limited to no more than \$700,000.

25.8(9) The maximum per unit housing fund subsidy for all project types is \$24,999.

25.8(10) Recipients shall justify administrative costs in the housing fund application. IDED reserves the right to negotiate the amount of funds provided for administration, but in no case shall the amount exceed 15 percent of a total housing fund award.

25.8(11) IDED reserves the right to negotiate the amount and terms of a housing fund award.

25.8(12) IDED reserves the right to make award decisions such that the state maintains the required level of local match to HOME funds.

25.8(13) IDED reserves the right to allocate a portion of funds to comprehensive areawide housing programs. Potential recipients shall be identified through a request for qualifications of entities interested in and capable of operating an areawide program. Areawide program proposals shall be evaluated on and awards negotiated on the targeted number of beneficiaries to be assisted across income levels, household types and unmet housing needs, rather than on specific activities.

25.8(14) A preaudit survey will be required of all for-profit and nonprofit direct recipients.

261—25.9(15) Administration of awards. Applications selected to receive housing fund awards shall be notified by letter from the IDED director.

25.9(1) Source of funds. If the source of funding for a housing fund award is HOME, the recipient shall administer the activity and manage funds in compliance with the regulations set forth in the HOME final rule, 24 CFR Part 92 (April 1, 1997). If the source of funding for a housing fund award is CDBG, the recipient shall administer the activity and manage funds in compliance with federal regulations set forth in 24 CFR Part 570 (April 1, 1997).

25.9(2) A contract shall be executed between the recipient and IDED. These rules, the housing fund application, the housing management guide and all applicable federal and state laws and regulations shall be part of the contract.

a. The recipient shall execute and return the contract to IDED within 45 days of transmittal of the final contract from IDED. Failure to do so may be cause for IDED to terminate the award.

b. Certain activities may require that permits or clearances be obtained from other state or local agencies before the activity may proceed. Awards may be conditioned upon the timely completion of these requirements.

c. Awards shall be conditioned upon commitment of other sources of funds necessary to complete the housing activity.

d. Awards shall be conditioned upon IDED receipt and approval of an administrative plan for the funded activity.

25.9(3) Requests for funds. Recipients shall submit requests for funds in the manner and on forms prescribed by IDED. Individual requests for funds shall be made in whole dollar amounts equal to or greater than \$500 per request, except for the final draw of funds.

25.9(4) Record keeping and retention. The recipient shall retain all financial records, supporting documents and all other records pertinent to the housing fund activity for five years after contract expiration. Representatives of IDED, HUD, the Inspector General, the General Accounting Office and the state auditor's office shall have access to all records belonging to or in use by recipients and subrecipients pertaining to a housing fund award.

25.9(5) Performance reports and reviews. Recipients shall submit performance reports to IDED in the manner and on forms prescribed by IDED. Reports shall assess the use of funds and progress of activities. IDED may perform reviews or field inspections necessary to ensure recipient performance.

25.9(6) Amendments to contracts. Any substantive change to a contract shall be considered an amendment. Changes include time extensions, budget revisions and significant alterations of the funded activities affecting the scope, location, objectives or scale of the approved activity. Amendments shall be requested in writing by the recipient and are not considered valid until approved in writing by IDED following the procedure specified in the contract between the recipient and IDED.

25.9(7) Contract closeout. Upon the contract expiration date or work completion date, as applicable, IDED shall initiate contract closeout procedures. Recipients shall comply with applicable audit requirements described in the housing fund application and management guide.

25.9(8) Compliance with federal, state and local laws and regulations. Recipients shall comply with these rules, with any provisions of the Iowa Code governing activities performed under this program and with applicable federal, state and local regulations.

25.9(9) Remedies for noncompliance. At any time, IDED may, for cause, find that a recipient is not in compliance with the requirements of this program. At IDED's discretion, remedies for noncompliance may include penalties up to and including the return of program funds to IDED. Reasons for a finding of noncompliance include the recipient's use of funds for activities not described in the contract, the recipient's failure to complete funded activities in a timely manner, the recipient's failure to comply with applicable state or local rules or regulations or the lack of a continuing capacity of the recipient to carry out the approved activities in a timely manner.

25.9(10) Appeals process for findings of noncompliance. Appeals will be entertained in instances where it is alleged that IDED staff participated in a decision which was unreasonable, arbitrary, capricious or otherwise beyond the authority delegated to IDED. Appeals should be addressed to the division administrator of the division of community and rural development. Appeals shall be in writing and submitted to IDED within 15 days of receipt of the finding of noncompliance. The appeal shall include reasons why the decision should be reconsidered. The director will make the final decision on all appeals.

261—25.10(15) Requirements for the contingency fund. The contingency fund is reserved for (1) communities experiencing a threat to public health, safety, or welfare that necessitates immediate corrective action sooner than could be accomplished through normal housing fund procedures; or (2) communities and other entities responding to an immediate development opportunity that necessitates action sooner than can be accomplished through normal housing fund procedures. Up to 5 percent of the HOME funds may be used for this purpose.

25.10(1) Application procedure. Those applying for contingency funds shall submit a written request to IDED, Division of Community and Rural Development, 200 East Grand Avenue, Des Moines, Iowa 50309. The request shall include a description of the situation, the project budget including the amount requested from IDED, projected use of funds and an explanation of the reasons that the situation cannot be remedied through normal housing fund procedures. If the project meets threshold criteria, a full application may be requested by the department.

25.10(2) Application review. Upon receipt of a request for contingency funding, IDED shall make a determination of whether the project is eligible for funding and notify the applicant of its determination. A project shall be considered eligible if it meets the following criteria:

a. Projects to address a threat to health and safety.

(1) An immediate threat to health, safety or community welfare that requires immediate action must exist.

(2) The threat must be the result of unforeseeable and unavoidable circumstances or events.

(3) No known alternative project or action would be more feasible than the proposed project.

(4) Sufficient other local, state or federal funds either are not available or cannot be obtained in the time frame required.

b. Projects to address an exceptional opportunity.

(1) A significant opportunity exists for the state that otherwise would be forgone if not addressed immediately.

(2) The opportunity is such that it is not possible to apply to the housing fund in a normal application time frame.

(3) The project would have merit, with respect to review criteria, comparable to funded projects in the most recent competition.

25.10(3) IDED reserves the right to request additional information on forms prescribed by IDED prior to making a final funding decision. IDED reserves the right to negotiate final project award and design components.

These rules are intended to implement Iowa Code section 15.108(1)“*a.*”

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